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RUEAHLC/HOMELAND SECURITY CENTER WASHINGTON DC  
RUEAIIA/CIA WASHINGTON DC  
RHEBAAA/DEPT OF ENERGY WASHINGTON DC  
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E.O. 12958: DECL: 07/14/2016

TAGS: EPET PGOV ASEC PTER PINR NI

SUBJECT: AGIP PIPELINE BLOWN, BUT EXTENT OF DAMAGE UNCLEAR

Classified By: Consul General Brian L. Browne for Reasons 1.4 (D & E)

11. (SBU) Press reported two Nigerian AGIP Oil Company (NAOC) pipelines in different locations in Bayelsa State were damaged by explosions on July 12. One is at the Clough Creek flow station, Tebidaba, and the other in Lagosgbene, Brass Local Government. A senior AGIP executive told us the incident and resultant oil spills reported in the press were the consequence of damage caused by bunkerers tapping the pipelines. The AGIP official disagreed that large explosions or extensive damage had occurred. Italian oil major ENI, AGIP's parent company, publicly denied reports of the loss of 120,000 barrels/day of oil.

12. (C) The energy editor of a major daily told us local sources in Bayelsa confirmed to him there was a significant explosion and large oil spill at Brass. However, he said local youths have cordoned the area, and refuse to allow NAOC officials access. He indicated youths are hoping the oil spill will spread, so the community can cite the damage as the basis for demanding greater compensation from NAOC. Without trained personnel having access to the pipeline, the extent of the damage cannot be verified. The editor also added President Obasanjo had informally advised oil companies to downplay cases of insecurity in the Niger Delta, so as not to heighten investors' anxieties about the region. This alleged Obasanjo directive has been ineffective in this case.

The Nigerian media did carry reports of the explosion and spills. These reports were echoed in the international press, helping to drive world oil prices to record highs on July 12.

13. (C) Comment: For obvious financial reasons, oil companies often downplay the extent of damage from such incidents. True, minor pipeline incidents are common fare in Nigeria, and companies understandably do not want to attach too much importance to these more prosaic interruptions. However, we wonder if two explosions in one evening is coincidental, or a bit more purposeful than the company would like to admit, even to itself. If there is evidence of militant activity, then there will likely be more to come. Even if militants are not involved, the company will have a hard time repairing the pipelines. Impoverished communities withholding access to a ruptured pipeline or an oil spill enjoy a rare moment of control vis a vis the oil company. By the time a company gains entrance, the spill has enlarged,

substantially complicating remediation. For example, even five months after the Lagos-Escravos Gas pipeline was damaged, the Nigerian Gas Company has been unable to effect repairs.

BROWNE